5 Ways to Help PROTECT RETIREMENT INCOME *during* Market Volatility

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Michael Terrio

MOTIV8 INVESTMENTS

Maintaining Financial Confidence in a Volatile Market

Sometimes choices involving finances and retirement can be difficult. Those choices may become even more difficult during uncertain economic times when the market experiences volatility. The intent of this booklet is to address ways to help protect retirement income during market uncertainty. We've created this guide with information and answers to commonly asked questions. Although maintaining financial confidence may not be easy—it is possible.

It seems as though everywhere you look, there's a new reason to be concerned about your hard-earned savings—including your retirement income. Turn on the television or radio, read a newspaper or simply have lunch with friends—and the conversation can turn to uncertainty in the stock market. Many Americans may be feeling confused and uncertain about the economy, thinking there's nothing they can do about their retirement income. They're also concerned they may end up working longer—and their retirement goals may be delayed. The good news is there are ways to protect retirement income from market volatility through risk-tolerant insurance options just to name one.

The following are five ways to help protect your retirement income from market volatility.

1 Understand the Difference between Volatility and Risk

You've heard what goes up must come down, but when you're talking about the stock market and how it can impact your retirement income savings, ups and downs can be somewhat unsettling.

To learn how insurance products can weather market fluctuations, it's important to first understand the differences between volatility and risk.

- **Volatility**[1] is defined as the rate or pace at which a price moves up and down. If a bond or stock price fluctuates at a rapid pace over a short time period, it has high volatility. If the price rarely changes, it has low volatility.
- **Market Risk**[2] is the risk of the value of a product decreasing due to movement in market factors.

Confusion between risk and volatility can cause individuals to be more financially cautious than necessary. Throughout one's lifetime, insurance products can be up or down depending on a number of factors. The good news is insurance products, by nature, are generally long-term, and can usually stand the test of time.

As we age, it's important to feel comfortable with the state of your retirement income so you can retire comfortably at the age you choose. People in their 30's and 40's are probably more comfortable taking additional risk with their retirement strategies than people in their 50's and 60's, simply because of their age. Consider your retirement-time horizon and risk tolerance when evaluating any long-term insurance products.

[1] http://useconomy.about.com/od/glossary/g/volatility.html

[2] http://www.hedgefund-index.com/d_marketrisk.asp

2 Focus on Long-Term Financial Goals

Uncertainty and risk are a part of life, but as you approach age 55, you might be nervous about losing the retirement income you've accumulated throughout your career.

It's normal to be concerned whenever you see fluctuations in the market, but it's important to put your concerns in perspective and focus on your long-term retirement income goals, particularly as you age. Ignoring your portfolio and hoping things will get better isn't always the best course of action in uncertain economic times.

At age 55, it's important to ensure your portfolio is managed appropriately for your retirement income goals. Review your portfolio quarterly, or more frequently, as market conditions fluctuate, and meet with an insurance professional annually to help make certain you're on track for retirement with an acceptable balance of risk and return.

3 Don't Put All Your Eggs in One Basket

To make your retirement income more resistant to market volatility, diversify your portfolio and allocate assets. Since different elements of the market can underperform or exceed expectations at different times, it's important not to put all of your eggs in one basket. On any given day, the stock market may be up or down. Asset allocation is a good way to diversify a portfolio to help reduce overall risk. It may also be advantageous to consider more risk-tolerant products when implementing strategies to accomplish your long-term retirement income goals.

4 Look for Windows of Opportunity

Times of uncertainty can also reveal opportunity. When the stock market is in flux, prices are traditionally lower. When markets are volatile, individuals have the opportunity to take notes of their investments and review their portfolios. This time allows for individuals to consider new products that may help balance overall risk.

5 Consider Other Options

If you're mostly invested in stocks and bonds within your 401(k), own a mix of traditional and Roth IRAs and have some money allotted in riskier investments to reach your retirement income goals. There are a number of products available as you look toward retirement.

Growing your **retirement income** involves a careful balance of **risk** and **return.**

Growing your retirement income involves a careful balance of risk and return. Only you know your tolerance for risk versus your long-term goals. For additional information on risk-tolerant strategies and how they can play a role in your retirement, it's important to consult a financial professional. We hope this booklet provided you with some answers to your questions regarding ways to help protect your retirement income during market uncertainty. If you would like more information or one-on-one guidance, please contact us.

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